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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"If you don't have time to do it right, when will you have time to do it over?" John Robert Wooden

MARKETS

Macro Recap: It was a busy week marked by significant market-moving developments. During testimony before Congress, U.S. Federal Reserve Chair Jerome Powell reiterated the central bank's stance on potential interest rate cuts later in the year, contingent upon ongoing easing in inflation data. Powell emphasized the need for additional data during one of the week's two congressional hearings.

Meanwhile, the European Central Bank maintained its key interest rate at a record high, signaling a desire to witness further progress in reducing inflation before considering rate cuts. The bank's decision to keep its deposit rate steady at 4% for the fourth consecutive meeting underscored its reliance on incoming data for future rate determinations.

Other economic indicators largely aligned with market expectations regarding rate cuts and the potential for a soft-landing scenario. The ISM Non-Manufacturing Index revealed improved business activity and order growth in February, yet the Employment Index dipped below 50.0%, indicating contraction for the second time in three months.

Although February's job growth figure surpassed most economists' forecasts, reaching 275,000 and extending a streak of positive labor market momentum, there were notable revisions in initial job gain estimates for December and January. Additionally, the unemployment rate climbed to 3.9%, while wage growth decelerated.

Equity Recap: The U.S. stock indexes experienced a shaky start on Monday and Tuesday, but gradually rebounded throughout the week to end just slightly below their recently achieved record levels. While the NASDAQ and the Dow recorded declines of approximately 1% for the week, the S&P 500 saw a marginal decrease.

A week following Bitcoin's surge beyond $60,000, the value of the leading cryptocurrency soared to a new all-time high, reaching $70,000 at one point on Friday. Year-to-date, Bitcoin has appreciated by over 60%.

Meanwhile, the price of gold futures saw a remarkable surge of over 6% throughout the week, peaking at a record high of approximately $2,200 per ounce on Friday. This increase marked a significant rise from its recent low of about $1,990 recorded on February 14th.

Bond/Rate Recap: Treasuries concluded the week with positive gains, processing the economic data and interpreting the potential rate cut implications following Fed Chair Powell's testimony. The yield of the 10-year U.S. Treasury bond dropped to its lowest point in five weeks, settling at around 4.08% on Friday. This was a notable decrease from its recent closing high of 4.33% recorded on February 22nd. However, despite this decline, the yield remained considerably higher than its year-end 2023 level of 3.88%. Additionally, the yield on the 2-year note fell by four basis points this week to 4.49%.

INDICES

	Mar 8 Close	Mar 4 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	38,723	39,087	-0.9%	37,690	2.7%
S&P 500	5,124	5,137	-0.3%	4,770	7.4%
NASDAQ	16,085	16,275	-1.2%	15,011	7.2%
Russell 2000	2,083	2,076	0.3%	2,027	2.7%
KBW Bank Indx	99.2	96.4	3.0%	96.0	3.3%
VIX	14.7	13.5	9.1%	12.5	18.4%
Oil (WTI	$78.01	$80.25	-2.8%	$72.57	7.5%
Prime	8.50	8.50	0.00	8.50	0.00
BTFP Rate	5.40	5.40	0.00	4.84	0.56
3m Tbill	5.38	5.37	0.01	5.33	0.05
2yr UST	4.47	4.59	-0.11	4.25	0.22
10yr UST	4.07	4.23	-0.15	3.88	0.20
2-10yr UST Spread	-40	-36	-4	-37	-3
2y AAA Muni/10y UST	62.0%	62.1%	-0.2%	58.9%	3.1%
10y AAA Muni/10y UST	60.4%	60.4%	0.0%	58.5%	1.9%
5yr Inflation Rate	2.39	2.45	-0.06	2.15	0.23

Week Ahead

- **Monday:** No major reports
- **Tuesday:** CPI, Federal Budget
- **Wednesday:** No major reports
- **Thursday:** Retail sales, Business Inventories, PPI
- **Friday:** Industrial production, UofM Cons. Sent.

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